

Message Text

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ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 EURE-00 CIAE-00 COME-00 EB-07

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 0414

INFO AMEMBASSY BONN

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AMEMBASSY COPENHAGEN

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E.O. 11652: N/A

TAGS: ELAB, PINT, UK

SUBJECT: THE TUC MUFFLES ITS FIRE OVER THE BUDGET IN
TALKS WITH MINISTERS

REF: LONDON 5829

1. BEGIN SUMMARY - THE LABOR MOVEMENT'S "ESTABLISHMENT",
AT YESTERDAY'S MEETING OF THE TUC-LABOR PARTY LIAISON
COMMITTEE MADE CLEAR THAT DESPITE SERIOUS MISGIVINGS OVER
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THE NEW BUDGET, IT WOULD NOT PRECIPITATE -- AT LEAST NOT

NOW -- A CONFRONTATION BETWEEN THE UNIONS AND THE GOVERNMENT. LEN MURRAY, SPEAKING FOR THE TUC AFTER THE MEETING, SAID THAT THERE HAD BEEN A "CANDID BUT FRIENDLY" EXCHANGE OF VIEWS, INCLUDING "VERY FRANK CRITICISM" OF CERTAIN BUDGET ASPECTS, PARTICULARLY ITS CONTRIBUTION TO RISING UNEMPLOYMENT, BUT HE ALSO CONCLUDED THAT THE SOCIAL CONTRACT REMAINED THE CENTER OF ECONOMIC AND SOCIAL POLICY. AN ABSENT MEMBER OF THE LIAISON COMMITTEE, HUGH SCANLON -- SPEAKING AT HIS UNION'S CONFERENCE IN BLACKPOOL -- SHARPLY DISSENTED, REPRESENTING THE BUDGET AS A REJECTION OF ALL THE TUC HAD PROPOSED. SCANLON'S POSITION MAY FORESHADOW A TOUGHER LINE BY HIS AND OTHER UNIONS WHEN THEY SET THEIR GOALS FOR THE NEXT "WAGE ROUND" IN THE AUTUMN. END SUMMARY.

2. IN ADDITION TO MURRAY, THE TUC WAS REPRESENTED BY TWO IMPORTANT LEADERS, JACK JONES AND DAVID BASNETT AND IT IS THEIR REACTION TO THE BUDGET LAST WEEK (REFTEL) THAT THEY ARE NOT GOING TO "TAKE ON" THE GOVERNMENT DESPITE THEIR REAL CONCERNS ABOUT THE BUDGET'S LIMITATIONS. IT IS ALSO LIKELY THAT THE TUC GENERAL COUNCIL, WHICH MEETS TOMORROW (APRIL 23) WILL SUPPORT THEIR NON-BELLIGERENT APPROACH, ALTHOUGH A NUMBER OF TUC LEADERS WILL REGISTER, AS SCANLON ALREADY HAS, SOME VERY SHARP DISSENT FROM THE "ESTABLISHMENT" VIEW.

3. FOR ITS PART, GOVERNMENT SPOKESMEN AT THE MEETING, WHO INCLUDED PRIME MINISTER, HAROLD WILSON BRIEFLY, CHANCELLOR OF THE EXCHEQUER DENIS HEALEY, SECRETARY OF STATE FOR EMPLOYMENT MICHAEL FOOT AND OTHER MINISTERS, REPORTEDLY REGISTERED THEIR OWN CONCERNS ABOUT THE FAILURE OF A NUMBER OF UNIONS TO ADHERE TO THE WAGE GUIDELINES EMBODIED IN THE SOCIAL CONTRACT. HEALEY REPORTEDLY WARNED THE UNION LEADERS THAT CONTINUING INFLATION COULD LEAD TO AN EVEN TOUGHER BUDGET, ALTHOUGH HE ALSO PROMISED TO TAKE ACTION IF UNEMPLOYMENT ROSE TOO FAST. MURRAY ACKNOWLEDGED, DURING HIS LATER REMARKS TO THE PRESS, THE UNIONS' RESPONSIBILITY TO "KEEP AS CLOSE AS POSSIBLE IN

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THEIR WAGE SETTLEMENTS TO THE RISE IN THE RETAIL PRICE INDEX: TO KEEP THEM IN LINE WITH RISES IN THE COST OF LIVING" HOWEVER, HE ALSO LATER SAID THAT THE TWO SIDES HAD "AGREED TO DIFFER" OVER THE TUC'S INSISTENCE THAT WORKERS COULD BE EXPECTED TO ENSURE THAT THEIR WAGE RISES FULLY COMPENSATE FOR PRICE INCREASES RESULTING FROM THE NEW BUDGET. (THE RETAIL PRICE INDEX HAS RISEN BY 21.2 PER CENT OVER THE LAST YEAR IN CONTRAST TO 32.5 PER CENT IN THE RATE OF WAGE INCREASES OVER THE SAME PERIOD.)

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4. ACCORDING TO A LABOR PARTY STAFFER ON THE LIAISON COMMITTEE, WITH WHOM WE TALKED, THE GOVERNMENT MINISTERS

PROMISED TO EXAMINE MORE CLOSELY THE QUESTION OF INCREASING INVESTMENT IN BRITISH INDUSTRY, WHICH THE TUC BELIEVES IS ESSENTIAL IN ORDER TO AVOID RISING UNEMPLOYMENT. THE LIAISON COMMITTEE MEETS AGAIN IN A MONTH'S TIME IN ORDER TO EXAMINE THESE AND OTHER ISSUES, INCLUDING FOOD SUBSIDIES AND PENSIONS.

5. COMMENT: THUS, WHILE IT WAS NOT ALL SWEETNESS AND LIGHT, THE TUC IS NOT PREPARED, AT THIS TIME, TO REACH FOR ITS WEAPONS. WHETHER THIS MODERATE MOOD WILL BE MAINTAINED, HOWEVER, REMAINS TO BE SEEN, PARTICULARLY IF THE COST OF LIVING CONTINUES TO RISE AND UNEMPLOYMENT INCREASES ARE UNCHECKED. A LARGE MAJORITY OF THE WAGE CLAIMS WHICH CONSTITUTE THE CURRENT "WAGE ROUND" HAVE ALREADY BEEN NEGOTIATED, SO ATTENTION WILL BE FOCUSED ON THE NEXT MAJOR WAGE ROUND, WHICH BEGINS IN THE AUTUMN. UNIONS HOLDING THEIR ANNUAL CONFERENCES FROM NOW THROUGH SEPTEMBER, INCLUDING THE ANNUAL TUC CONGRESS WHICH WILL DEBATE ANEW AND PERHAPS REDEFINE THE SOCIAL CONTRACT, WILL BE SETTING WAGE GOALS FOR THE NEXT ROUND, AND THESE GOALS WILL PROVIDE A BETTER IDEA OF THE DIRECTION THEY ARE GOING. HOWEVER, THE GOVERNMENT APPEARS TO HAVE EARNED A BIT OF A BREATHING SPACE, AT LEAST UNTIL AFTER THE JUNE REFERENDUM IS OUT OF THE WAY. LATER DISCUSSIONS OF THE TUC-LABOR PARTY LIAISON COMMITTEE MAY PROVIDE LESS SWEETNESS AND LIGHT.

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